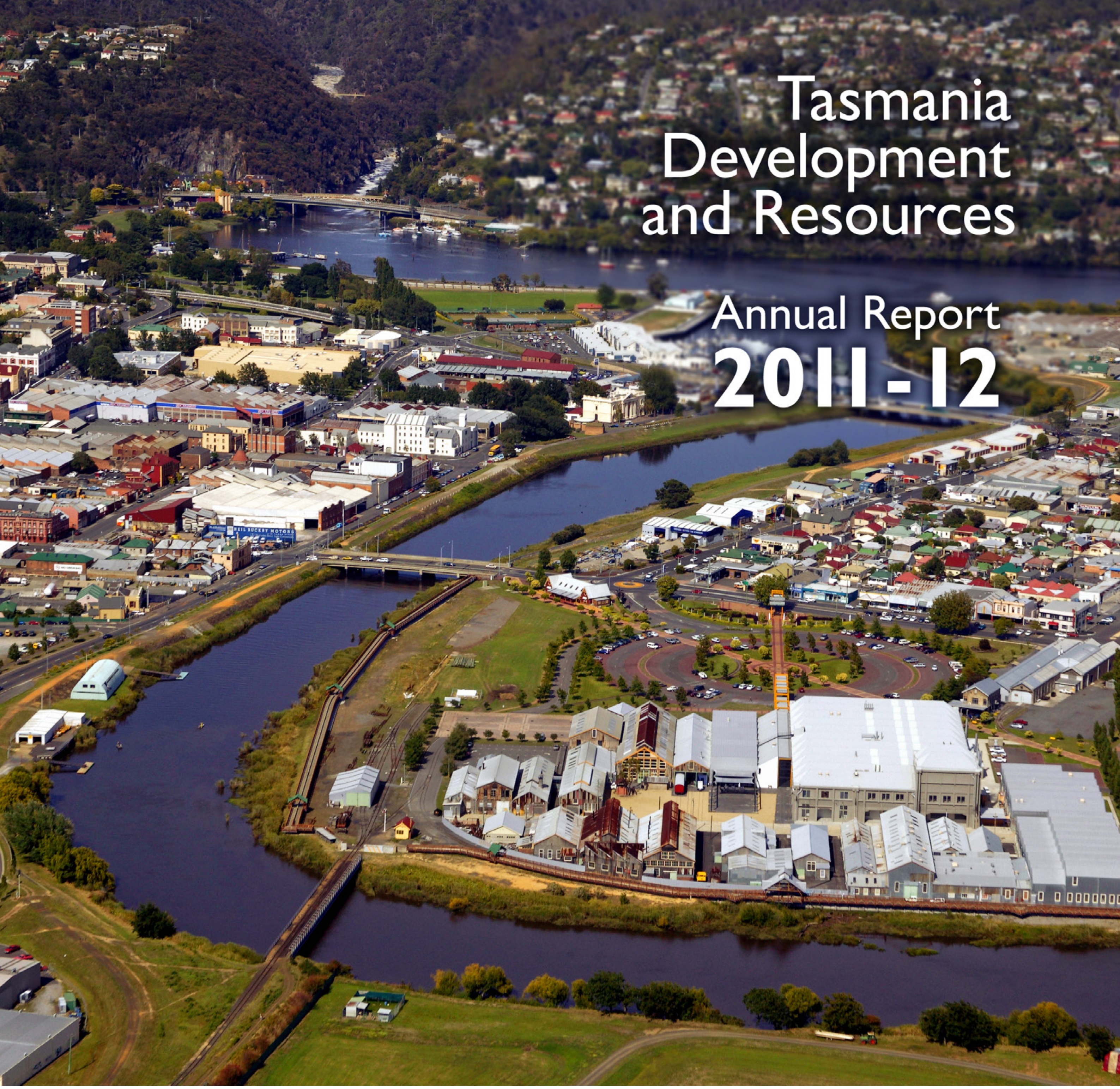

Tasmania Development and Resources

Annual Report 2011-12

Department of Economic Development, Tourism and the Arts

Tasmanian Government

Contents

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Submission to Minister

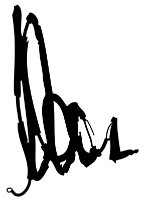
David O'Byrne MP

Minister for Economic Development

Dear Minister

In accordance with the requirements of Section 29E of the *Tasmanian Development Act 1983*, I submit to you, for presentation to parliament, this report on the affairs and activities of Tasmania Development and Resources for the financial year ended 30 June 2012.

Yours sincerely



Lyn Cox

Chairman
Tasmanian Development Board
October 2012

About this publication

Tasmania Development and Resources (TDR) – the legal entity responsible for the creation of investment and associated employment through the implementation of the government's economic and social strategies – is required under Section 29E of the *Tasmanian Development Act 1983* to produce an annual report for each financial year.

Previous editions of Tasmanian Development and Resources' annual report have been published under the cover of the annual report of the Department of Economic Development, Tourism and the Arts – the State Government department responsible for the administration of Tasmania Development and Resources.

Detailed information regarding the scope of activities overseen by TDR is detailed in the Economic Development portfolio activities statement within the Annual Report 2011-12 of the Department of Economic Development, Tourism and the Arts

Chairman's foreword

The Tasmanian Development Board supports the industry development activities of the Department of Economic Development, Tourism and the Arts. The board's primary focus is the creation of investment and associated employment through supporting the implementation of the government's Economic Development Plan.

The board has specific areas of responsibility under the *Tasmanian Development Act 1983* including the encouragement and promotion of balanced economic development of Tasmania, and has governance of the legal entity Tasmania Development and Resources (TDR). The board provides independent advice to the Minister for Economic Development on matters relating to this portfolio and its associated responsibilities.

The provision of financial assistance to businesses and industry is an important component of the government's Economic Development Plan. The Tasmanian Development Board has a principal responsibility of managing a $54 million loan equity and property portfolio and plays an important role in assessing the provision of loans and grant assistance packages.

This includes considering requests for assistance for major investments under the Tasmanian Government Innovation and Investment Fund (TGIIF). The TGIIF forms part of the Tasmanian Government's response to regional employment challenges. This initiative helps eligible Tasmanian businesses, or groups of eligible businesses, to accelerate their growth by supporting innovative and sustainable relevant projects that diversify and strengthen Tasmania's regional economy.

The board aims to ensure that its policies are directed to the greatest advantage of the Tasmanian people and that it will contribute to:

» the stability of business undertakings in Tasmania

» the maintenance of maximum employment in Tasmania

» the prosperity and welfare of the people of Tasmania.

The economic development environment in which we are operating continues to be challenging as the after-effects of the Global Financial Crisis and the threats of financial instability in Europe are still influencing investor confidence. The value of the Australian dollar remained high for the financial year putting extra pressure on the state's export and manufacturing industries. In addition, the resources boom that has dominated Australia's investment landscape is impacting on our skills base.

Tasmania's efforts to restructure its economy and support key industries to diversify and transition to a sustainable future continued throughout the year. In a globally competitive marketplace, economic diversification, capitalising on Tasmania's natural advantages and identifying opportunities for growth are the keys to our future.

The board's role in this included overseeing and supporting the implementation of the state's Economic Development Plan and the establishment of Regional Development Plans. These plans set a clear direction for the state's priorities over the next decade.

The board was pleased to oversee the many achievements aligned to the Economic Development Plan that were driven by the department during the year. Events during the year that supported the Economic Development Plan's objectives included the Antarctic Centennial Year, the 8th International Cool Climate Symposium (ICCS) for Viticulture and Oenology and Savour Tasmania. These events all provided opportunities for the state to promote its attributes and expertise in our key sectors, to national and international audiences.

The resilience of Tasmanian businesses in the face of challenging economic circumstances remains apparent with many positive developments occurring within the state's key sectors.

In the past few months we have seen announcements of developments across the mining, salmon farming and retail sectors which are worth tens of millions of dollars and have the potential to create 700 new jobs.

Business spending remained robust during the year with $4.45 billion of private capital investment being committed and Tasmanian businesses investing more than $1.43 billion in machinery and equipment.

The joint Tasmanian and Australian Governments' Tasmanian Forest Agreement (TFA) has presented us with opportunities to support the workers and communities affected by the reshaping of our forest-based industries.

Where jobs are lost, we aim to help retrain and reskill workers so they can move into new industries.

For example, the growing dairy industry in north-west Tasmania has absorbed many of the job losses in the forestry sector, while in the north east, former forest workers are now working with Hazell Brothers and Haywards Steel Fabrication and Construction on the $400 million Musselroe Wind Farm project.

During the year a Renewable Energy Strategy was developed which identifies a number of opportunities and issues for the future development of renewable energy in Tasmania. Progress has already been made on several projects. Loan applications received for assistance under the $30 million Renewable Energy Loan Scheme included power generation proposals from solar, wind, mini-hydro and gas produced from the 'bio-digestion' of biomass.

The board considered and approved a number of renewable energy projects including Fire Developments Pty Ltd's wind-power generation plant on Flinders Island; a wind turbine for Redbank Farming Pty Ltd at Sisters Beach and solar panels for a property development in Launceston by Van Asperen Holdings Pty Ltd.

The board also favourably considered a growth proposal from the M2 Telecommunications Group Ltd and assistance for the SenseT project in partnership with UTAS.

Through the department's collaboration with UTAS on the SenseT project, the benefits of creative thinking and innovation are being brought to regional Tasmania. Using the NBN as its basis, this initiative has the potential to revolutionise agriculture throughout the state with projects already identified in Scottsdale, Circular Head, the Huon Valley and on the East Coast.

Support for development projects proposed by Sultan Holdings Pty Ltd and Southern Cross Care (Tas) Inc and for proposed growth initiatives by LD and D Australia Pty Ltd (formally National Foods) were also favourably considered.

I would like to thank the Minister for Economic Development David O'Byrne and my fellow board directors for all their hard work and dedication during what has been a challenging year. I would also like to thank CEO Mark Kelleher and the departmental staff for delivering results that are proving to be a catalyst for growing and developing the state's industry base.

I particularly acknowledge the work done by Denis Rogers AO who retired from the role of Chairman of both the Tasmanian Development Board and the TT-Line Board in February 2012. Denis served as Chairman of the Tasmanian Development Board with dedication and passion for 13 years and his knowledge and experience will be missed.

We have now entered a new phase for the board and look forward to the challenges and successes that lie before us.

Lyn Cox

Chairman
Tasmanian Development Board

Chief Executive's message

Once again the Department of Economic Development, Tourism and the Arts has worked hard to support the work of the board and foster economic development and prosperity for all Tasmanians.

During the past year the department achieved some significant results contributing to our goal of making Tasmania a prosperous, vibrant and healthy community in which to live, work and do business.

This included initiatives to build Tasmania's brand, secure new overseas and interstate markets, create new opportunities for businesses and rebuild investor confidence.

In accordance with the state's Economic Development Plan we continued to work with key sectors to build resilience, adaptability and innovation to help ensure a solid foundation for future growth. The Economic Development Plan identifies the state's priorities over the next decade and benefits are already starting to flow into Tasmanian industry and into the broader community.

The board provided sound guidance during the development and implementation of the Economic Development Plan and has played a similar role with the development of three regional economic development plans that are now close to completion following extensive community consultation.

I would like to take the opportunity to thank the out-going Chairman of the Tasmanian Development Board, Denis Rogers AO and the incoming Chairman Lyn Cox, together with all members of the Board, for their for their dedication, diligence and support during the year.

Mark Kelleher

Chief Executive
Tasmania Development and Resources

28 August 2012

Tasmanian Development Board

1 Lyn Cox (Chairman)

Lyn Cox was appointed to the Tasmanian Development Board in February 2011. He was a partner in professional services firm Deloitte, including over 10 years as managing partner for Tasmania.

He has extensive business experience from his 40 years in practice in the areas of change management, assurance, risk management and listing companies on the stock exchange.

Lyn is currently Chairman of Tasmanian financial institution B & E Limited and a member of General Council of Tasmanian Health Organisation - South. He was Tasmanian President and a National Director of the Australian Institute of Company Directors, National Director and National Treasurer of the National Heart Foundation.

Lyn has a Batchelor of Economics from the University of Tasmania, is a Fellow of the Institute of Chartered Accountants, and a Fellow of the Australian Institute of Company Directors.

2 Professor Janelle Allison (Director)

Professor Janelle Allison was appointed to the board in February 2012. Professor Allison is currently the Pro Vice Chancellor (PVC) (Regional Development), Director of the Cradle Coast Campus at the University of Tasmania.

Professor Allison has a particular interest in the areas of participation and regional economic development. Her strategic and creative thinking has established new ways to approach engagement in learning. As PVC (RD) and Director of the Cradle Coast campus she provides strategic leadership and develops strategic initiatives in collaboration with faculties and many community, business and industry stakeholders. She has a particular interest in transforming regional economies and skilling the workforce. Her research interests are around niche high-value manufacturing and food production and the role in regional economies.

3 Bob Annells (Director)

Bob Annells was appointed to the board in 2008. He has held a number of senior positions in Tasmania including Director General of the Lands Department and Secretary of the Department of Tourism, Sport and Recreation. He has held senior positions in the tourism industry including Chief Executive of Tourism Victoria, Chairman of the Melbourne Convention and Exhibition Trust, Chair of the Northern Territory Tourist Commission, Chairman of the Australian Standing Committee on Tourism (twice) and board member of the former Australian Tourist Commission.

Bob brings to the board marketing, events, public and private sector tourism experience at the highest level, as well as issues and strategic management. He was awarded the Public Service Medal in 2001 and a Centenary of Federation Medal. He was inducted into the National Tourism Hall of Fame in 2004 and awarded the 'Outstanding Contribution by an Individual' award at the 2005 Victorian Tourism Awards. Bob has an extensive business background having been Executive Chairman of Veolia Transport Australia for six years. He is currently Chairman of Tasmanian Railway Pty Ltd, the owner/operator of Tasmania's freight railway system.

4 Peter Gillooly (Director)

Peter Gillooly was appointed to the board in June 2003. Mr Gillooly has extensive business experience and most recently held the position of Chief General Manager at Tattersall's Holdings Pty Ltd.

He has held a number of directorships with companies including Burswood Ltd, the Landscape Pastoral Company Pty Ltd, the Rural Finance Corporation of Victoria, and is currently on the board of Acrux.

5 Mike Grainger (Director)

Mike Grainger was appointed to the board in November 2004.

Mr Grainger is Managing Director of Liferaft Systems Australia (LSA), manufacturer of marine evacuation systems and large capacity liferafts for the international ferry and defence market. He has more than 25 years' experience in the manufacturing industry.

He is also a founding member of the Tasmania Maritime Network, Chairman of the board of TT-Line Company, a Director of the board of the international shipping organisation Interferry, the Chairman of the Brand Tasmania Council and member of the Det Norske Veritas International Ferry Committee.

6 Mark Kelleher (Secretary)

Mark Kelleher was appointed to the position of Secretary of the Department of Economic Development, Tourism and the Arts in May 2009. As part of the role, Mr Kelleher is the Chief Executive of the Tasmanian Development Board and a member of the Tourism Tasmania Board. He is also a member of the Ten Days on the Island Board, the Tasmanian Renewable Energy Industry Development Board, and the Tasmanian Infrastructure Advisory Council.

Preceding his appointment to the Department of Economic Development, Tourism and the Arts, Mr Kelleher was Managing Director of Roaring 40s, a leading Australian-based renewable energy company developing and operating wind farms in Australia, China and India, from September 2005 until May 2009. During this time he was also a board member of the Australian Clean Energy Council.

Previously, Mr Kelleher was with Hydro Tasmania for approximately 12 years. During that time he held a number of senior positions including General Manager Business Development and General Manager Corporate and held lead roles in major projects, such as the Tasmanian electricity industry restructure, Basslink and entry into the National Electricity Market.

Prior to this, Mr Kelleher was with Telstra, where he held a number of key positions in financial and strategy areas, and was the Tasmanian Financial Controller before joining Hydro Tasmania.

Mr Kelleher has a Bachelor of Commerce (University of Tasmania) and a Fellow of the Institute of Company Directors. He is also a graduate of the senior executive program at London Business School.

7 Keryn Nylander (Director)

Keryn Nylander was appointed to the board on 20 March 2000. Ms Nylander was formerly News Director for WIN Television Tasmania and a senior consultant with public relations consultancy Corporate Communications. She now runs her own PR consultancy, Nylander Consulting and is a part of the management team of specialist contract winemaking business Winemaking Tasmania Pty Ltd.

She is a director of B&E financial institution and a Director of the state's peak wine body Wine Industry Tasmania Ltd. Keryn is a former director of Business North and member of the Premier's Physical Activity Council.

8 Denis Rogers AO (Outgoing Chairman)

Denis Rogers has been Chairman of the board since November 1998. Prior to his appointment to the Tasmanian Development Board, he was Regional Director of the Australian Bureau of Statistics in Tasmania and the State Government Statistician for Tasmania. He has extensive experience in financial management, statistics, employee relations, marketing, product development, media and communications and international relations. He was Chairman of Cricket Australia (Australian Cricket Board) for six years and was Chairman of the Tasmanian Cricket Association – a position he held for 18 years.

Denis was appointed Chairman of the TT-Line Company Pty Ltd in March 2005 and also held the position of Chairman of the Tasmanian Institute of Sport for nine years. In recognition of his services to the community, his appointment as an Officer in the Order of Australia was announced in the Australia Day Honours List for 2002.

9 Brett Torossi (Director)

Brett Torossi has been on the Tasmanian Development Board since January 2006. She is a property developer with significant experience in urban and commercial developments. Her current major project is 'The Green', an innovative and sustainable development that will be home to around 500 families in the northern suburbs of Launceston. 'The Green' has been planned to create a cohesive, safe, vibrant and inclusive community. Ms Torossi's passion for urban design excellence provides the components that enable individuals and families to find joy in their lives.

Other current projects involve a dynamic commercial development in Hobart and a successful and well-known tourism development on Tasmania's east coast. The results are award-winning, community-focused, leading-edge and ecologically sustainable developments.

Ms Torossi is a board member on the Tasmanian Early Years Foundation, the Festival of Voices and Tourism Tasmania. She is also a trustee, Tasmanian Museum and Art Gallery and commissioner, Tasmanian Planning Commission.

10 Robert Wilson (Director)

Robert Wilson was appointed to the board in January 2006. Mr Wilson has been involved in the dairy industry all his life and has worked nationally and internationally in the dairy and food industries. He was a founding partner and managing director of Classic Foods at Edith Creek, a company that processes around 40 million litres of milk annually or about eight per cent of the total current Tasmanian production. He was also a board member of the Cradle Coast Authority from 2002 to 2008.

Robert is Chairman of the Tasmanian Institute of Agricultural Research (TIAR) Dairy Centre Advisory Group and director of Tasmanian Pure Foods.

Tasmanian Development Board meeting attendance

Member	Number of meetings attended
Chairman Lyn Cox	11
Professor Janelle Allison [1]	4
Bob Annells [2]	2
Peter Gillooly	10
Michael Grainger	10
Mark Kelleher	10
Keryn Nylander	8
Denis Rogers AO [3]	5
Brett Torossi	11
Robert Wilson	9

1 Term commenced effective 9 February 2012
2 Term expired effective 8 September 2011
3 Term expired effective 9 February 2012

Policy objectives

The following statement of policy objectives reflects the goals and strategies for the economic development activities of the Department of Economic Development, Tourism and the Arts. It is provided in accordance with Section 29 E of the *Tasmanian Development Act 1983*.

Goal 1 To support and grow businesses in Tasmania

Goal One focuses on making Tasmania a great place to do business. We need this if we are going to offset the impact of the resources boom and be able to compete for investment. Planning and infrastructure need to support investment. Our businesses need to have access to the skills and information required to take advantage of market opportunities.

Goal 2 To maximise Tasmania's economic potential in key sectors

Goal Two is about making the most of Tasmania's market-driven competitive advantages. We need to understand our strengths and opportunities, and use this knowledge to drive investment attraction and trade promotion. This knowledge is also a critical input into decision-making on issues like infrastructure, skills, land use and regional planning. All need to be aligned so that we are investment ready.

Goal 3 To improve the social and environmental sustainability of the economy

Goal Three centres on social and environmental sustainability. Social sustainability focuses on sharing the benefits of economic development and not leaving some in our community behind. The initial focus for environmental sustainability will be to both promote and capture the business benefits of acting sustainably.

Goal 4 To support and grow communities within regions

Goal Four recognises the importance of place and communities. People do not live in sectors or businesses – we live in our communities. We need to unleash the creativity and passion of people in their local communities for sustainable economic development. This means working across all levels of government – national, state and local – to achieve economic outcomes and find local solutions. It is about translating strategy to reality on the ground. Place and liveability are connected. Through improving our liveability we are better placed to attract people to live, work, visit, invest and trade.

Grants and loans approval for 2011-12

The following summary is provided in accordance with Section 29E of the *Tasmanian Development Act 1983*.

Loan category	Number of loan approvals	Total loan amounts
Other	10	$19.164 million
Total	**10**	**$19.164 million**

Outstanding loan balances as at 30 June 2011

The following summary is provided in accordance with Section 29E of the *Tasmanian Development Act 1983*.

Loan category	Number of loans	Total loan balances
Other	29	$40.592 million
Total	**29**	**$40.592 million**

Financial Statements

Tasmania Development and Resources
Statement of Comprehensive Income for the year ended 30 June 2012

	Notes	2012 Actual $'000	2011 Actual $'000
Continuing operations			
Revenue and other income from transactions			
Attributed revenue from government			
Appropriation revenue - recurrent	1.6(a), 3.1	42,281	45,334
Appropriation revenue - section 8A of the *Public Account Act 1986*	1.6(a), 3.1	2,380	969
Revenue from Special Capital Investment Funds	3.2	384	359
Grants	1.6(b), 3.3	16,191	14
Interest	1.6(c), 3.4	1,859	2,945
Other revenue	1.6(d), 3.5	1,836	3,332
Total revenue and other income from transactions		**64,931**	**52,953**
Expenses from transactions			
Attributed employee benefits	1.7(a), 4.1	18,685	18,238
Depreciation and amortisation	1.7(b), 4.2	561	702
Supplies and consumables	1.7(c), 4.3	9,381	11,542
Grants and subsidies	1.7(d), 4.4	30,744	17,218
Borrowing costs	1.7(e), 4.5	1,962	2,309
Other expenses	1.7(f), 4.6	1,513	2,002
Total expenses from transactions		**62,846**	**52,011**
Net result from transactions (net operating balance)		**2,085**	**942**
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	1.8(a)(c), 5.1	(915)	(400)
Net gain/(loss) on financial instruments and statutory receivables/payables	1.8(b), 5.2	(1,152)	(3,855)
Total other economic flows included in net result		**(2,067)**	**(4,255)**
Net result from continuing operations		*18*	*(3,313)*
Net result		**18**	**(3,313)**
Comprehensive result		**18**	**(3,313)**

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Tasmania Development and Resources
Statement of Financial Position as at 30 June 2012

	Notes	2012 Actual $'000	2011 Actual $'000
Assets			
Financial assets			
Cash and deposits	1.9(a), 10.1	5,158	15,140
Receivables	1.9(b), 6.1	3,225	1,658
Loan advances	1.9(c), 6.2	35,428	36,211
Equity investments	1.9(d), 6.3	586	584
Non-financial assets			
Property, plant and equipment	1.9(e), 6.4	5,308	5,737
Investment property	1.9(f), 6.5	9,700	10,610
Intangibles	1.9(g), 6.6	225	221
Other assets	1.9(h), 6.7	1,240	903
Total assets		**60,870**	**71,064**
Liabilities			
Payables	1.10(a), 7.1	1,324	1,258
Interest bearing liabilities	1.10(b), 7.2	18,021	26,621
Provisions	1.10(c), 7.3	1,707	1,746
Attributed employee benefits	1.10(d), 7.4	5,062	4,651
Other liabilities	1.10(f), 7.5	942	2,992
Total liabilities		**27,056**	**37,268**
Net assets		**33,814**	**33,796**
Equity			
Reserves	9.1	1	1
Accumulated funds		33,813	33,795
Total equity		**33,814**	**33,796**

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Tasmania Development and Resources

Statement of Cash Flows for the year ended 30 June 2012

	Notes	2012 Actual $'000	2011 Actual $'000
		Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities			
Cash inflows			
Attributed Appropriation receipts - recurrent		42,781	47,714
Receipts from Special Capital Investment Funds		384	359
Grants and sponsorship		16,191	14
GST receipts		4,024	2,522
Interest received		1,957	3,054
Other cash receipts		1,922	3,582
Total cash inflows		**67,259**	**57,245**
Cash outflows			
Attributed employee benefits		(18,257)	(17,408)
Grants and subsidies		(35,077)	(19,216)
Interest payments		(2,213)	(2,214)
Supplies and consumables		(11,111)	(12,111)
Other cash payments		(1,738)	(2,291)
Total cash outflows		**(68,396)**	**(53,240)**
Net cash from (used by) operating activities	10.2	**(1,137)**	**4,005**
Cash flows from investing activities			
Cash inflows			
Proceeds from the disposal of non-financial assets		292	493
Repayment of loans by other entities		1,939	4,648
Other cash receipts		310	-
Total cash inflows		**2,541**	**5,141**
Cash outflows			
Loans made to other entities		(2,351)	(13,451)
Payments for acquisition of non-financial assets		(435)	(395)
Other cash payments		-	(198)
Total cash outflows		**(2,786)**	**(14,044)**
Net cash from (used by) investing activities		**(245)**	**(8,903)**
Cash flows from financing activities			
Cash inflows			
Proceeds from borrowings		-	3,600
Total cash inflows		**-**	**3,600**
Cash outflows			
Repayment of borrowings		(8,600)	(2,000)
Total cash outflows		**(8,600)**	**(2,000)**
Net cash from (used by) financing activities		**(8,600)**	**1,600**
Net increase (decrease) in cash held and cash equivalents		**(9,982)**	**(3,298)**
Cash and deposits at the beginning of the reporting period		**15,140**	**18,280**
Cash outflow on administrative arrangements	9.2	**-**	**158**
Cash and deposits at the end of the reporting period	10.1	**5,158**	**15,140**

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Tasmania Development and Resources

Statement of Changes in Equity for the year ended 30 June 2012

	Reserves $'000	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2011	**1**	**33,795**	**33,796**
Total comprehensive result	-	18	18
Balance as at 30 June 2012	**1**	**33,813**	**33,814**

	Note	Reserves $'000	Accumulated funds $'000	Total equity $'000
Balance as at 1 July 2010		**647**	**36,590**	**37,237**
Total comprehensive result		-	(3,313)	(3,313)
Transfers to/(from) reserves		(646)	646	-
Transactions as owners in their capacity as owners:				
Output administrative arrangements net assets relinquished	9.2	-	(128)	(128)
Balance as at 30 June 2011		**1**	**33,795**	**33,796**

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the year ended 30 June 2012

Note 1 Significant accounting policies

1.1 Objectives and funding

The Tasmanian Development Authority (TDA) was established under the *Tasmanian Development Act 1983* (TD Act). Under Section 4(1) of the TD Act, the body corporate TDA operates under the corporate name Tasmania Development and Resources (TDR).

TDR has the mission to encourage and promote the balanced economic development of Tasmania by sustaining an effective partnership between business and government which fully utilises the strategic advantages and human resources of the State to improve the wealth and quality of life in Tasmania whilst retaining its environmental status.

TDR is committed to enhancing the capability of Tasmanian businesses and improving local, national and international opportunities for business in Tasmania.

TDR's key corporate objectives are to:

» develop a world class business environment

» provide ongoing strategic direction and data for industry development within the State

» provide strategic business support services

» identify, prioritise and develop relevant industry programs and products

» assist small businesses to grow

» provide training, skills enhancement and management support to business

» provide export support and culture

» attract new internal and external investment; and

» provide effective, efficient and quality administration of the government's loan and property portfolios.

TDR forms part of the Department of Economic Development, Tourism and the Arts (the Department). The activities of TDR are predominantly funded through Parliamentary appropriations.

The Financial Statements encompass all funds through which TDR controls resources to carry on its functions.

TDR activities are classified as controlled. Controlled activities involve the use of assets, liabilities, revenues and expenses controlled or incurred by TDR in its own right.

The financial management and reporting obligations of TDR are governed by the TD Act and the *Financial Management and Audit Act 1990* (FMAA).

1.2 Basis of accounting

The Financial Statements are general purpose Financial Statements and have been prepared in accordance with:

» The *Tasmanian Development Act 1983*

» Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board; and

» The Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*.

The Financial Statements were signed by the Chief Executive and Chairman of the Board on 9 August 2012.

Compliance with the Australian Accounting Standards (AAS) may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. TDR is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention. The accounting policies are generally consistent with the previous year except for those changes outlined in Note 1.5.

The Financial Statements have been prepared as a going concern. The continued existence of TDR in its present form, undertaking its current activities, is dependent on government policy and on continuing appropriations by parliament for TDR's administration and activities.

1.3 Reporting entity

The Financial Statements include all the controlled activities of TDR.

During 2010-11 Screen Tasmania was transferred from TDR's administrative responsibility (Economic Development Output Group 1) to Arts as a result of Administrative Arrangements (Assignment of Administration) Order 2010. Further disclosure is provided at Note 9.2.

1.4 Functional and presentation currency

These Financial Statements are presented in Australian dollars, which is TDR's functional currency.

1.5 Changes in accounting policies

a) Impact of new and revised Accounting Standards

In the current year, TDR has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

» AASB 1054 *Australian Additional Disclosures* – This Standard in conjunction with AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

» AASB 2009-12 *Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]* – This Standard makes editorial amendments to a range of Australian Accounting Standards and Interpretations. There is no financial impact.

» AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASBs 1, 7, 101, & 134 and Interpretation 13]* – This Standard amends a range of Australian Accounting Standards and Interpretation as a consequence of the annual improvements project.

» The amendments to AASB 7 clarify financial instrument disclosures in relation to credit risk. The carrying amount of financial assets that would otherwise be past due or impaired, whose terms have been renegotiated, is no longer required to be disclosed. There is no financial impact.

» The amendments to AASB 101 clarify the presentation of the Statements of Changes in Equity. The disaggregation of other comprehensive income reconciling the carrying amount at the beginning and the end of the period for each component of equity is no longer required. There is no financial impact.

» AASB 2010-5 *Amendments to Australian Accounting Standards [AASBs 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]* – This Standard makes editorial amendments to a range of Australian Accounting Standards. There is no financial impact.

» AASB 2010-6 *Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASBs 1 & 7]* – This Standard introduces additional disclosure relating to transfers of financial assets in AASB 7. An entity shall disclose all transferred financial assets that are not derecognised and any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. There is no financial impact.

» AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASBs 1, 5, 101, 107,108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]* – this Standard, in conjunction with AASB 1054, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards. There is no financial impact.

» AASB 2011-15 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation [AASBs 127, 128 & 131]* – this Standard extends the relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity are not-for-profit non-reporting entities that comply with Australian Accounting Standards. There is no financial impact.

b) Impact of new and revised Accounting Standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

» AASB 9 *Financial Instruments* – This Standard supersedes AASB 139 *Financial Instruments: recognition and Measurement*, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. TDR has not yet determined the potential financial impact of the standard.

» AASB 10 *Consolidated Financial Statements* – This Standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities, introducing a number of changes to accounting treatments. The standard was issued in August 2011. TDR has not yet determined the application or the potential impact of the Standard.

» AASB 11 *Joint arrangements* – this Standard supersedes AASB 131 *Interest in Joint Ventures*, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. TDR has not yet determined the application or the potential impact of the Standard.

» AASB 12 *Disclosure of Interests in Other Entities* – This Standard supersedes disclosure requirements under AASB 127 *Consolidated and Separate Financial Statements* and AASB 131 *Interests in Joint Ventures*. The Standard was issued in August 2011. TDR has not yet determined the application or the potential impact of the Standard.

» AASB 13 *Fair Value Measurement* – This Standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. There is no financial impact.

» AASB 119 *Employee Benefits* – This Standard supersedes AASB 119 *Employee Benefits*, introducing a number of changes to accounting treatments. The Standard was issued in September 2011. TDR has not yet determined the application or the potential impact of the Standard.

» AASB 127 *Separate Financial Statements* – This standard supersedes requirements under AASB 127 Consolidated and Separate Financial Statements, introducing a number of changes to accounting treatments. The Standard was issued in August 2011. TDR has not yet determined the application or the potential impact of the Standard.

» AASB 128 *Investments in Associates and Joint Ventures* – This Standard supersedes AASB 128 *Investments in Associates* and introduces a number of changes to accounting treatments. The Standard was issued in August 2011. TDR has not yet determined the application or the potential impact of the Standard.

» AASB 1053 *Application of Tiers of Australian Accounting Standards* – This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on TDR, however, it may affect disclosures if reduced disclosure requirements apply.

» AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASBs 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050, & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129, & 1052]* – This Standard makes amendments to Australian accounting Standards and Interpretations to introduce reduced disclosure requirements for certain types of entities. There is no financial impact.

1.5 Changes in accounting policies (continued)

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASBs 1, 3, 4, 5, 7, 101, 102, 108,112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19, & 127]* – This Standard makes consequential amendments to other Australian Accounting Standards and Interpretations as a result of issuing AASB in December 2010. It is not anticipated that there will be any financial impact.
- AASB 2011-2 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASBs 101 & 1054]* – This Standard makes amendments to introduce reduced disclosure requirements for certain types of entities. There is no expected financial impact of applying these changes as TDR is a Tier 1 entity.
- AASB 2011-6 *Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements [AASBs 127, 128 & 131]* – This Standard extends relief from consolidation, the equity method and proportionate consolidation by removing the requirement for the consolidated financial statements prepared by the ultimate or any intermediate parent entity to be IFRS compliant, provided that the parent entity, investor or venturer and the ultimate or intermediate parent entity comply with Australian Accounting Standards or Australian Accounting Standards – Reduced Disclosure Requirements. It is not expected to have a financial impact.
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASBs 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 and 17]* – This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. It is not expected to have a financial impact.
- AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13 [AASBs 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7,101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 &1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]* – This Standard replaces the existing definition of fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2011. There is no expected financial impact.
- AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASBs 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]* – This Standard requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). It is not expected to have a financial impact.
- AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASBs 1, 8, 101, 124, 134, 1049 & 2011-8 and Interpretations 14]* – This Standard makes amendments to other Australian Accounting Standards and Interpretation as a result of issuing AASB 119 *Employee Benefits* in September 2011. It is not expected to have a financial impact.
- AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* – This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements for AASB 119 (September 2011). There is no financial impact.

1.6 Income from transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

(a) Attributed revenue from government

Attributed Appropriations, whether recurrent or capital, are recognised as revenues in the period in which TDR gains control of the appropriated funds as allocated by the Department. Except for any amounts identified as carried forward in Notes 3.1, control arises in the period of appropriation.

(b) Grants

Grants payable by the Australian Government are recognised as revenue when TDR gains control of the underlying assets. Where grants are reciprocal, revenue is recognised as performance occurs under the grant.

Non-reciprocal grants are recognised as revenue when the grant is received or receivable. Conditional grants may be reciprocal or non-reciprocal depending on the terms of the grant.

(c) Interest

Interest on funds invested is recognised as it accrues using the effective interest rate method. Interest revenue includes interest received by TDR on some Loan Advances.

(d) Other revenue

Other revenue includes sundry fee revenues and rent and other income received relating to *War Service Land Settlement Act 1950*, rural properties and investment properties and are recognised as revenue in the period in which TDR gains control of the funds.

1.7 Expenses from transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

(a) Attributed employee benefits

TDR does not employ staff in its own right; activities of TDR are delivered by staff employed by the Department. That share of the employee benefits incurred by the Department that relate to TDR activities are included in the Statement of Comprehensive Income as Attributed Employee Benefits and include where applicable, entitlements to wages and salaries, annual leave, sick leave, long service leave, superannuation and any other post-employment benefits.

(b) Depreciation and amortisation

All applicable Non-financial assets having a limited useful life are systematically depreciated over their useful lives in a manner which reflects the consumption of their service potential. Land, being an asset with an unlimited useful life, is not depreciated. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements, once the asset is held ready for use.

Depreciation is provided for on a straight-line basis using rates which are reviewed annually. The major depreciation periods are:

Plant and equipment	2-25 years
Leasehold improvements	5-12 years

All intangible assets having a limited useful life are systematically amortised over their useful lives reflecting the pattern in which the asset's future economic benefits are expected to be consumed by TDR. Major amortisation period is:

Software	5 years

(c) Supplies and consumables

Supplies and consumables, including audit fees, advertising and promotion, communications, consultants and contracted services, information technology, operating lease costs, property expenses, purchase of goods and services, travel and transport, and legal expenses, are recognised when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

(d) Grants and subsidies

Grant and subsidies expenditure is recognised to the extent that:

- the services required to be performed by the grantee have been performed; or
- the grant eligibility criteria have been satisfied.

A liability is recorded when TDR has a binding agreement to make the grants but services have not been performed or criteria satisfied. Where grant monies are paid in advance of performance or eligibility, a prepayment is recognised.

(e) Borrowing costs

All borrowing costs are expensed as incurred using the effective interest method.

Borrowing costs include:

- interest on bank overdrafts and short term and long term borrowings;
- unwinding of discounting of provisions;
- amortisation of discounts or premiums related to borrowings; and
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

(f) Other expenses

Other expenses are recognised when it is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and the consumption or loss of future economic benefits can be measured reliably.

1.8 Other economic flows included in net result

Other economic flows measure the change in volume or value of assets or liabilities that do not result from transactions.

(a) Gain/(loss) on sale of non-financial assets

Gains or losses from the sale of Non-financial assets are recognised when control of the assets has passed to the buyer.

(b) Impairment – financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that there are any financial assets that are impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss, in respect of a financial asset measured at amortised cost, is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All impairment losses are recognised in the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(c) Impairment – non-financial assets

All non-financial assets are assessed to determine whether any impairment exists. Impairment exists when the recoverable amount of an asset is less than its carrying amount.

Recoverable amount is the higher of fair value less costs to sell and value in use. TDR's assets are not used for the purpose of generating cash flows; therefore value in use is based on depreciated replacement cost where the asset would be replaced if deprived of it.

All impairment losses are recognised in the Statement of Comprehensive Income.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(d) Other gains/(losses) from other economic flows

Other gains/(losses) from other economic flows includes gains or losses from reclassifications of amounts from reserves and/or accumulated surplus to net result, and from the revaluation of the present values of the long service leave liability due to changes in the bond interest rate.

1.9 Assets

Assets are recognised in the Statement of Financial Position when it is probable that future economic benefits will flow to TDR and the asset has a cost or value that can be measured reliably.

(a) Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. Deposits are recognised at amortised cost, being their face value.

(b) Receivables

Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

(c) Loan advances

Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition. Impairment of loan advances are reviewed on an ongoing basis. Impairment losses are recognised when there is an indication that there is a measurable decrease in the collectability of loan advances. Loan advances that are known to be uncollectable are written off. Loan advances include financial assistance provided by TDR to the private sector in the form of loans.

(d) Equity investments

Equity investments are initially recorded at cost and at net recoverable value subsequent to initial recognition determined as follows:

» Listed companies - the share's current market value for listed public companies; and

» Unlisted companies – based on estimated recoverable amount.

Changes in the value of equity investments are accounted for as net increases or reversals of impairment losses.

The equity method of accounting has not been used to bring to account the financial operations of equity investments within the Financial Statements. TDR's investment in these equity investments was made for the purpose of achieving industry development outcomes consistent with the goals and objectives of TDR, not for the purpose of achieving a commercial investment return or other standard commercial objectives.

As such, TDR considers that it would be inappropriate to apply the equity method of accounting. Incorporation into TDR's Financial Statements of financial information relating to these equity investments could provide users of the TDR's Financial Statements with a misleading indication of its financial performance.

(e) Property, plant and equipment

(i) Valuation basis

Land, buildings and other long-lived assets are recorded at fair value less accumulated depreciation. All other Non-current physical assets are recorded at historic cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to TDR and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Asset recognition threshold

The asset capitalisation threshold adopted by TDR is $10,000. Assets valued at less than $10,000 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

(iv) Revaluations

TDR has adopted a revaluation threshold of $50,000. Non-current assets measured at fair value are revalued with sufficient regularity to ensure the carrying amount of each asset does not differ materially from fair value at reporting date.

Assets are grouped on the basis of having a similar nature or function in the operations of TDR.

Investment Property is revalued by class of asset annually to ensure they reflect fair value at balance date.

(f) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both.

Investment property is recorded at fair value with any changes in the fair value being recorded as income or expenses in the Statement of Comprehensive Income.

Investment property is not depreciated.

(g) Intangibles

An intangible asset is recognised where:

» it is probable that an expected future benefit attributable to the asset will flow to TDR; and

» the cost of the asset can be reliably measured.

Intangible assets held by TDR are valued at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment losses where an active market exists. Where no active market exists, intangibles are valued at cost less any accumulated amortisation and any accumulated impairment losses.

(h) Other assets

Other assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to TDR and the asset has a cost or value that can be measured reliably.

1.10 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

(a) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when TDR becomes obliged to make future payments as a result of a purchase of assets or services.

(b) Interest bearing liabilities

Bank loans and other loans are initially measured at fair value, net of transaction costs. Bank loans and other loans are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period.

(c) Provisions

A provision arises if, as a result of a past event, TDR has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

(d) Attributed employee benefits

Liabilities for wages and salaries and annual leave are recognised when an employee becomes entitled to receive a benefit. Those liabilities expected to be realised within 12 months are measured as the amount expected to be paid. Other employee entitlements are measured as the present value of the benefit at 30 June 2012, where the impact of discounting is material, and at the amount expected to be paid if discounting is not material.

A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(e) Superannuation

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an expense when they fall due.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

TDR does not recognise a liability for the accruing superannuation benefits for employees delivering TDR activities. This liability is held centrally and is recognised within the Finance-General Division of the Department of Treasury and Finance.

(f) Other liabilities

Other liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

1.11 Leases

TDR has entered into a number of operating lease agreements for property, plant and equipment, where the lessors effectively retain all the risks and benefits incidental to ownership of the items leased. Equal instalments of lease payments are charged to the Statement of Comprehensive Income over the lease term, as this is representative of the pattern of benefits to be derived from the leased property.

TDR is prohibited by Treasurer's Instruction 502 *Leases* from holding finance leases.

1.12 Judgements and assumptions

In the application of Australian Accounting Standards, TDR is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by TDR that have significant effects on the Financial Statements are disclosed in the following Notes:

» Note 5.2 Net gain/(loss) on financial instruments and statutory receivables/payables;

» Note 6.2 Loan advances;

» Note 6.3 Equity investments;

» Note 6.4 Property, plant and equipment; and

» Note 6.5 Investment property.

TDR has made no assumptions concerning the future that may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

1.13 Foreign currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date. Associated gains and losses are not material.

1.14 Comparative figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of any changes in accounting policy on comparative figures are at Note 1.5.

Where amounts have been reclassified within the Financial Statements, the comparative statements have been restated.

1.15 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.16 Taxation

TDR is exempt from all forms of taxation except Fringe Benefits Tax, Payroll Tax and the Goods and Services Tax (GST).

1.17 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax, except where the GST incurred is not recoverable from the Australian Taxation Office (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the Australian Taxation Office is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

Note 2 Events occurring after balance date

There have been no events subsequent to balance date which would have a material effect on TDR's Financial Statements as at 30 June 2012.

Note 3 Income from transactions

3.1 Attributed revenue from government

Attributed revenue from government includes revenue from appropriations, appropriations carried forward under section 8A(2) of the *Public Account Act 1986*.

	2012 Actual $'000	2011 Actual $'000
Continuing operations		
Attributed Appropriation revenue - recurrent		
Current year	42,281	45,334
Total	**42,281**	**45,334**
Revenue from government - other		
Attributed Appropriation carried forward under section 8A(2) of the *Public Account Act 1986* taken up as revenue in the current year	2,380	969
Total	**2,380**	**969**
Total Attributed revenue from government	**44,661**	**46,303**

Section 8A(2) of the *Public Account Act 1986* allows for an unexpended balance of an appropriation to be transferred to an Account in the Special Deposits and Trust Fund for such purposes and conditions as approved by the Treasurer. In the initial year, the carry forward is recognised as a liability, Revenue Received in Advance. The carry forward from the initial year is recognised as revenue in the reporting year, assuming that the conditions of the carry forward are met and the funds are expended. There were no such items in 2010-11.

3.2 Revenue from Special Capital Investment Funds

Funding for major infrastructure projects is provided through Special Capital Investment Funds. TDR is allocated funding for specific projects from the Special Capital Investment Funds as part of the State Budget process.

	2012 Actual $'000	2011 Actual $'000
Economic and Social Infrastructure Fund	384	359
Total	**384**	**359**

3.3 Grants

	2012 $'000	2011 $'000
Grants from the Australian Government		
Tasmanian Forestry Agreement	16,000	-
Industry Capability Network – National Broadband Network	175	-
Total	**16,175**	**-**
Other Grants		
General Grants	16	14
Total	**16**	**14**
Total	**16,191**	**14**

All grants received during 2011-12 were fully spent as at 30 June 2012.

3.4 Interest

	2012 $'000	2011 $'000
Interest	1,859	2,945
Total	**1,859**	**2,945**

3.5 Other revenue

	2012 $'000	2011 $'000
Investment property rental	980	949
Investment property other revenue	310	297
Other	546	2,086
Total	**1,836**	**3,332**

Note 4 Expenses from transactions

4.1 Attributed employee benefits

	2012 $'000	2011 $'000
Wages and salaries	14,011	13,569
Annual leave	1,137	1,210
Long service leave	482	529
Sick leave	578	546
Superannuation – defined benefit scheme	342	297
Superannuation – contribution schemes	1,551	1,558
Other post-employment benefits	445	258
Other employee expenses	139	271
Total	**18,685**	**18,238**

Superannuation expenses relating to defined benefits schemes relate to payments into the Superannuation Provision Account held centrally and recognised within the Finance-General Division of the Department of Treasury and Finance. The amount of the payment is based on an employer contribution rate determined by the Treasurer, on the advice of the State Actuary. The current employer contribution is 12.3 per cent of salary.

Superannuation expenses relating to defined contribution schemes are paid directly to superannuation funds at a rate of nine per cent of salary. In addition, TDR is also required to pay into the SPA a "gap" payment equivalent to 3.3 per cent of salary in respect of employees who are members of contribution schemes.

4.2 Depreciation and amortisation

(a) Depreciation

	2012 $'000	2011 $'000
Plant and equipment	157	166
Total	**157**	**166**

(b) Amortisation

	2012 $'000	2011 $'000
Intangibles	221	272
Leasehold improvements	183	264
Total	**404**	**536**
Total Depreciation and amortisation	**561**	**702**

4.3 Supplies and consumables

	2012 $'000	2011 $'000
Audit fees – financial audit	67	59
Audit fees – internal audit	48	47
Operating lease costs	1,560	2,503
Consultants and contracted services	2,341	4,040
Property services	835	814
Maintenance	332	318
Communications	315	416
Information technology	953	925
Travel and transport	955	1,157
Advertising and promotion	778	706
Other supplies and consumables	1,197	557
Total	**9,381**	**11,542**

4.4 Grants and subsidies

	2012 $'000	2011 $'000
Grants	30,690	17,002
Subsidies	20	-
Sponsorship	34	216
Total	**30,744**	**17,218**

TDR provides grants to assist Tasmanian enterprises with industry development and employment assistance. These include assistance in the areas of exporting, innovation, contact centres and skill development. In 2012 this included disbursement of $16 million through the Tasmanian Forestry Agreement. TDR also disburses designated specific purpose grants allocated from the government's Special Capital Investment Funds.

4.5 Borrowing costs

	2012 $'000	2011 $'000
Interest expense		
Interest on bank overdrafts and loans	1,781	2,309
Total	**1,781**	**2,309**
Other borrowing costs		
Unwinding of discounting of provisions	181	-
Total	**181**	**-**
Total Borrowing costs	**1,962**	**2,309**

For Unwinding of discounting of provisions refer to Note 7.3(b).

4.6 Other expenses

	2012 $'000	2011 $'000
Salary on-costs	1,168	1,147
Seminars and conferences	119	241
Expenses associated with investment property	14	13
Other	212	601
Total	**1,513**	**2,002**

Note 5 Other economic flows included in net result

5.1 Net gain/(loss) on non-financial assets

	2012 $'000	2011 $'000
Revaluation of Investment Properties	(944)	(783)
Net gain/(loss) on sale of non-financial assets	29	383
Total net gain/(loss) on non-financial assets	**(915)**	**(400)**

For Investment Properties refer to Note 6.5(b).

5.2 Net gain/(loss) on financial instruments and statutory receivables/payables

	2012 $'000	2011 $'000
Impairment reversals/(losses) for:		
Loans advances	(1,154)	(3,690)
Equity investments	2	(5)
Loan advances written off during the year	-	(160)
Total net gain/(loss) on financial instruments	**(1,152)**	**(3,855)**

Loan advances impaired in 2011-12 related mainly to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd. In addition a Section 35 loan Administered by TDR was impaired this year in relation to Tas-Air Pty Ltd. This company was placed into liquidation by the owners on 3 February 2012 and immediately ceased flight operations, refer to Note 6.2. Equity investments impairment transaction during 2011-12 related to First Tasmania Investment Ltd, refer to Note 6.3.

Note 6 Assets

6.1 Receivables

	2012 $'000	2011 $'000
Receivables	269	236
Tax assets	2,956	1,422
Total	**3,225**	**1,658**
Settled within 12 months	3,225	1,658
Settled in more than 12 months	-	-
Total	**3,225**	**1,658**

6.2 Loan advances

	2012 $'000	2011 $'000
Convertible note	200	200
Section 35 Loans Administered by TDR	33,013	33,458
Tasmanian Development Act 1983	5,609	5,562
Fire Damage Relief Act 1967	25	24
Farm Water Development Act 1985	1,161	977
Renewable Energy Loan Scheme	584	-
Less: Provision for impairment	(5,164)	(4,010)
Total	**35,428**	**36,211**
Settled within 12 months	7,474	11,915
Settled in more than 12 months	27,954	24,296
Total	**35,428**	**36,211**

Loan advances include financial assistance provided by TDR to the private sector in the form of loans.

Under the provisions of the *Tasmanian Development Act 1983*, TDR has the power to provide loans to clients that assist in the development and expansion of the Tasmanian economy. Generally, these loans are provided on the basis of commercial terms, conditions, interest rates and security.

Reconciliation of movement in provision for impairment of other financial assets	2012 $'000	2011 $'000
Carrying amount at 1 July	**4,010**	**320**
Increase/(decrease) in provision recognised in net result	1,154	3,690
Carrying amount at 30 June	**5,164**	**4,010**

During 2011-12, two significant loans were assessed as being impaired. The TDR Board approved a specific provision of $3.350 million for an impairment in relation to a *Tasmanian Development Act 1983* loan to Tascot Templeton Carpets Pty Ltd. The value of this impairment reduced by $0.500 million from 2010-11 following a disbursement of proceeds from assets sales. The impairment is the result of Tascot Templeton Carpets Pty Ltd going into voluntary administration on 23 September 2010. In addition a Section 35 loan Administered by TDR was impaired this year in relation to Tas-Air Pty Ltd. A specific provision of $1.6 million was approved by the TDR Board. Tas-Air Pty Ltd was placed into liquidation by the owners on 3 February 2012 and immediately ceased flight operations.

6.3 Equity investments

	2012 $'000	2011 $'000
Listed shares – at cost	2,412	2,412
Listed shares – converted	944	944
Unlisted equity instruments	4,933	4,933
Less: Provision for impairment	(7,703)	(7,705)
Total	**586**	**584**
Settled within 12 months	-	-
Settled in more than 12 months	586	584
Total	**586**	**584**

Listed shares

TASSAL Ltd

TDR holds 1,583,341 fully paid ordinary shares in TASSAL Limited. The value of this investment is $Nil.

Unlisted equity instruments

First Tasmania Investments Ltd

TDR holds 2,402,105 ordinary shares in First Tasmania Investments Ltd. The shares have been valued at $Nil as at 30 June 2012.

North West Bay Ships Pty Ltd

TDR acquired 800,000 preference shares (7 per cent) of $1.00 each in June 2000. The shares have been valued at $Nil as at 30 June 2012.

SDT Australia Pty Ltd

TDR acquired 200,000 preference shares (9 per cent) of $1.00 each in June 2000. The company has not operated for the last four and a half years due to a lack of capital for further research and development. The shares have been valued at $Nil as at 30 June 2012.

Reconciliation of movement in provision for impairment of equity investments	2012 $'000	2011 $'000
Carrying amount at 1 July	**7,705**	**13,046**
Increase/(decrease) in provision recognised in net result	(2)	(5,341)
Carrying amount at 30 June	**7,703**	**7,705**

6.4 Property, plant and equipment

(a) Carrying amount

	2012 $'000	2011 $'000
Land		
Rural properties - at fair value (30 June 2012)	3,687	3,953
Total	**3,687**	**3,953**
Leasehold improvements		
At cost	4,048	3,889
Less: Accumulated amortisation	(2,744)	(2,560)
	1,304	1,329
Work in progress (at cost)	-	44
Total	**1,304**	**1,373**
Plant and equipment		
At cost	1,533	1,527
Less: Accumulated depreciation	(1,247)	(1,116)
	286	411
Work in progress (at cost)	31	-
Total	**317**	**411**
Total property, plant and equipment	**5,308**	**5,737**

Rural properties are valued as at 30 June 2012 to fair value. Fair value of these properties equates to the option prices deemed on the individual properties. These option prices are the amounts receivable should the tenants exercise the option to purchase the freehold title.

(b) Reconciliation of movements

Reconciliations of the carrying amounts of each class of Property, plant and equipment at the beginning and end of the current and previous financial year are set out below. Carrying value means the net amount after deducting accumulated depreciation and accumulated impairment losses.

2012	Land $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying value at 1 July	**3,953**	**1,373**	**411**	**5,737**
Additions	-	114	63	177
Disposals	(266)	-	-	(266)
Depreciation and amortisation	-	(183)	(157)	(340)
Carrying value at 30 June	**3,687**	**1,304**	**317**	**5,308**

2011	Land $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Carrying value at 1 July	**4,056**	**1,276**	**452**	**5,784**
Additions	-	700	132	832
Disposals	(103)	(339)	(7)	(449)
Depreciation and amortisation	-	(264)	(166)	(430)
Carrying value at 30 June	**3,953**	**1,373**	**411**	**5,737**

6.5 Investment property

(a) Carrying amount

	2012 $'000	2011 $'000
Land at fair value	4,600	4,810
Buildings at fair value	5,100	5,800
Total	**9,700**	**10,610**

Investment property includes the Tasmanian Technopark which assists the acceleration of growth for start-up and existing businesses. The Technopark offers accommodation options to suit a range of businesses from complete, self-contained buildings to individual tenancies, a business incubator centre and managed office facility.

The latest revaluations as at 30 June 2012 were based on valuations undertaken by independent valuers Brothers and Newton Opteon. This valuation was prepared on the basis of Market Value as defined by the International Valuation Standards Committee (IVSC), and endorsed by the Australian Property Institute.

6.5 Investment property (continued)

(b) Reconciliation of movements

	2012 $'000	2011 $'000
Carrying amount at 1 July	10,610	11,310
New purchases	34	83
Net gains/(losses) from fair value adjustments	(944)	(783)
Carrying amount at 30 June	9,700	10,610

6.6 Intangibles

(a) Carrying amount

	2012 $'000	2011 $'000
Intangibles with a finite useful life		
Software at cost	818	813
Less: Accumulated amortisation	(593)	(592)
Total	225	221

(b) Reconciliation of movements

	2012 $'000	2011 $'000
Carrying amount at 1 July	221	272
Additions	225	221
Amortisation expense	(221)	(272)
Carrying amount at 30 June	225	221

6.7 Other assets

(a) Carrying amount

	2012 $'000	2011 $'000
Other assets		
Prepayments	1,239	901
Other	1	2
Total	1,240	903
Utilised within 12 months	1,240	903
Utilised in more than 12 months	-	-
Total	1,240	903

(b) Reconciliation of movements

	2012 $'000	2011 $'000
Carrying amount at 1 July	903	846
Additions	1,240	903
Used-up	(903)	(846)
Carrying amount at 30 June	1,240	903

Note 7 Liabilities

7.1 Payables

	2012 $'000	2011 $'000
Creditors	55	29
Funds held in trust	786	475
Accrued expenses	479	754
Paid Parental Leave Scheme liabilities	4	-
Total	1,324	1,258
Settled within 12 months	1,324	1,258
Settled in more than 12 months	-	-
Total	1,324	1,258

Settlement is usually made within 30 days.

Funds held in trust relate to funds held by TDR on behalf of the independent non-government entities of Brand Tasmania Council and Agreement on the Conservation of Albatrosses and Petrels (ACAP), for which TDR provides corporate support.

7.2 Interest bearing liabilities

(a) Carrying amount

	2012 $'000	2011 $'000
Loans from the State Government	21	21
Loans from Tascorp	18,000	26,600
Total	18,021	26,621

7.2 Interest bearing liabilities (continued)

(b) Maturity schedule

One year or less	-	8,600
From one to five years	18,021	18,021
Total	**18,021**	**26,621**

The balance of Interest bearing liabilities does not include a non-repayable loan of $7.9 million provided by the Department of Treasury and Finance to the Tasmanian Development Authority. Interest expense for the 2012 financial year totalled $362,010 (2011 $380,521).

7.3 Provisions

(a) Carrying amount

	2012 $'000	2011 $'000
Operating lease provisions	800	1,020
Operating lease make-good provisions	907	726
Total	**1,707**	**1,746**
Settled within 12 months	873	1,020
Settled in more than 12 months	834	726
Total	**1,707**	**1,746**

The amount of TDR's provisions is the best estimate of the expenditure required to settle the present obligation, as at the end of the reporting period. The best estimate at the end of the reporting period, takes into account increases of costs, using the Consumer Price Index (CPI). The provision is discounted to reflect the present value of such expenditures where the time value of money is material.

(b) Reconciliation of movements in provisions

	Operating lease make-good provision		Operating lease provisions		Total Provisions	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Balance at 1 July	**726**	**930**	**1,020**	**287**	**1,746**	**1,217**
Increases	38	3	-	733	38	736
Changes against the provision	-	(204)	-	-	-	(204)
Reversals	-	-	(220)		(220)	
Changes in discounting	143	(3)	-	-	143	(3)
Balance at 30 June	**907**	**726**	**800**	**1,020**	**1,707**	**1,746**

Movements in lease provisions relate to the renegotiation of tenancy leases held by the TDR. Government discount rates used to calculate the present value of make-good provisions changed significantly this year and as a result make-good provisions increased accordingly.

7.4 Attributed employee benefits

	2012 $'000	2011 $'000
Accrued salaries	521	452
Annual leave	1,273	1,267
Long service leave	3,190	2,761
SSALS provision	78	171
Total	**5,062**	**4,651**
Settled within 12 months	2,101	2,123
Settled in more than 12 months	2,961	2,528
Total	**5,062**	**4,651**

7.5 Other liabilities

	2012 $'000	2011 $'000
Revenue received in advance		
Appropriation carried forward from current and previous years under section 8A of the *Public Account Act 1986*	500	2,380
Other liabilities		
Employee benefits – on-costs	323	289
Other liabilities	119	323
Total	**942**	**2,992**
Settled within 12 months	749	2,827
Settled in more than 12 months	193	165
Total	**942**	**2,992**

Note 8 Commitments and Contingencies

8.1 Schedule of commitments

	2012 $'000	2011 $'000
By type		
Lease Commitments		
Operating leases	33,477	34,575
Total lease commitments	**33,477**	**34,575**
Other commitments		
Loan commitments: Loans approved but not drawn down by clients as at 30 June	3,611	3,379
Program / Project commitments	23,148	36,857
Total other commitments	**26,759**	**40,236**
Total	**60,236**	**74,811**
By maturity		
Operating lease commitments		
One year or less	2,032	2,138
From one to five years	10,459	9,721
More than five years	20,986	22,716
Total operating lease commitments	**33,477**	**34,575**
Other commitments		
One year or less	17,846	17,792
From one to five years	8,913	22,444
More than five years	-	-
Total other commitments	**26,759**	**40,236**
Total	**60,236**	**74,811**

Operating leases are associated with rental costs for leased premises occupied by TDR, office equipment and motor vehicles leased through the government's fleet manager. The rentals on leased premises generally contain renewal options that extend the lease to match the current lease periods. These range from 2 to 15 years.

The program / project commitments show amounts approved to clients payable over a period greater than one year on which the actual amount payable is dependent upon expenditure being incurred and certain conditions being met by these clients and a claim submitted and approved for payment. The estimated commitment as at 30 June has been included in these cases.

8.2 Contingent assets and liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position due to uncertainty regarding the amount or timing of the underlying claim or obligation.

(a) Quantifiable contingencies

A quantifiable contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A quantifiable contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

	2012 $'000	2011 $'000
Quantifiable contingent liabilities		
Contingent guarantees		
Liability in respect of guarantees given to Tasmanian Hockey Inc. Support loan to remediate ground No 1 pending outcome of legal dispute with the original turf laying contractor. *The legal matter was resolved in Tasmanian Hockey Inc's favour in May 2012 thereby extinguishing the guarantee arrangement. There are no other contingent liabilities under the guarantee.*	-	1,250
Total quantifiable contingent liabilities	**-**	**1,250**

(b) Unquantifiable contingencies

At 30 June 2012, TDR had an outstanding legal claim against it as detailed below. It is not possible at the reporting date to accurately estimate the amounts of eventual receipts or payments, if any, that may be required in relation to this claim.

Jill Mure vs Tasmania Development and Resources and the Recorder of Titles. The landowner is disputing the ownership of a strip of foreshore land at Tinderbox currently valued by TDR at $55,000. The matter has been adjourned to a date to be fixed by the Court.

Note 9 Reserves

9.1 Reserves

2012	Art work $'000	Leasehold improvements $'000	Total $'000
Asset revaluation reserve			
Balance at the beginning of financial year	1	-	1
Revaluation increments/ (decrements)	-	-	-
Transfers to/(from) reserves	-	-	-
Balance at end of financial year	**1**	**-**	**1**

2011	Art work $'000	Leasehold improvements $'000	Total $'000
Asset revaluation reserve			
Balance at the beginning of financial year	1	646	647
Revaluation increments/ (decrements)	-	-	-
Transfers to/(from) reserves	-	(646)	(646)
Balance at end of financial year	**1**	**-**	**1**

(a) Nature and purpose of reserves

Asset Revaluation Reserve

The Asset Revaluation Reserve is used to record increments and decrements on the revaluation of Non-financial assets, as described in Note 1.9(e).

9.2 Administrative Arrangements (Assignment of Administration) Order 2010

During 2010-11 as a result of Administrative Arrangements (Assignment of Administration) Order 2010, Screen Tasmania was transferred from TDR's administrative responsibility to Arts.

The net assets and liabilities relinquished are as follows:

	2012 $'000	2011 $'000
Net assets relinquished on Administrative Arrangements		
Cash and deposits	-	(158)
Receivables	-	1
Loan advances	-	330
Other assets	-	12
Total assets relinquished	-	185
Net liabilities relinquished on restructure		
Payables	-	15
Employee benefits	-	40
Other liabilities	-	2
Total liabilities relinquished	-	57
Net assets (liabilities) relinquished on Administrative Arrangements	**-**	**128**

Note 10 Cash Flow Reconciliation

10.1 Cash and deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by TDR, and other cash held, excluding those accounts which are administered or held in a trustee capacity or agency arrangement.

	2012 $'000	2011 $'000
Special Deposits and Trust Fund balance		
T522 Economic Development Operating Account	4,778	14,809
T790 Government Guarantees Reserve Account	351	327
T941 Fire Relief Account	3	3
Total	**5,132**	**15,139**
Other cash held		
Cash in transit	25	-
Cash on hand and at bank	1	1
Total	**26**	**1**
Total cash and deposits	**5,158**	**15,140**

10.2 Reconciliation of net result to net cash from operating activities

	2012 $'000	2011 $'000
Net result	**18**	**(3,313)**
Increase (decrease) S8A(2) carry forwards	(1,880)	1,411
Depreciation and amortisation	561	702
Interest	41	82
(Gain)/loss on disposal of non-financial assets	(29)	(383)
(Gain)/loss on fair value revaluations	944	783
Derecognition of provisions	-	(204)
Impairment adjustments	1,152	3,855
Decrease (increase) in Receivables	(1,567)	(153)
Decrease (increase) in Other assets	(336)	(69)
Increase (decrease) in Attributed employee benefits	412	814
Increase (decrease) in Payables	(244)	(183)
Increase (decrease) in Provisions	(39)	529
Increase (decrease) in Other liabilities	(170)	134
Net cash from (used by) operating activities	**(1,137)**	**4,005**

Note 11 Financial Instruments

11.1 Risk exposures

(a) Risk management policies

TDR has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Chief Executive has overall responsibility for the establishment and oversight of the TDR's risk management framework. Risk management policies are established to identify and analyse risks faced by TDR, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk exposures

Credit risk is the risk of financial loss to TDR if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The credit risk on financial assets of TDR which have been recognised in the Statement of Financial Position, other than equity investments, is the carrying amount, net of any provision for impairment.

TDR manages credit risk on loan advances by obtaining security over assets in accordance with the provisions of the TD Act and by including appropriate risk margins in TDR's interest rate pricing, based on an assessment of the inherent risk of individual clients.

TDR is materially exposed to JBS Australia Propriety Limited (34%). Concentration of credit risk by industry on loan advances is: Food (57%).

Financial Instrument	Accounting and strategic policies (including recognition criteria, measurement basis and credit quality of instrument)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Assets		
Receivables	Receivables are recognised at amortised cost, less any impairment losses.	The general terms of trade for receivables is 30 days.
Other Financial Assets - Loan advances	Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition. Impairment of loan advances is reviewed on an ongoing basis.	Loan advances include financial assistance provided by TDR to the private sector in the form of loans.
Cash and deposits	Deposits are recognised at the nominal amounts.	Cash means notes, coins and any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund.

Except as detailed in the following table, the carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the TDR's maximum exposure to credit risk without taking into account any collateral or other security:

	2012	2011
	$'000	$'000
Guarantee provided	-	1,250
Total	**-**	**1,250**

The following tables analyse financial assets that are past due but not impaired

Analysis of financial assets that are past due at 30 June 2012 but not impaired	Past due >30 days $'000	Past due >60 days $'000	Past due >90 days $'000	Total $'000
Receivables	82	9	99	**190**
Other Financial Assets – Loan advances	5	4	67	**76**

Analysis of financial assets that are past due at 30 June 2011 but not impaired	Past due >30 days $'000	Past due >60 days $'000	Past due >90 days $'000	Total $'000
Receivables	23	6	111	**140**
Other Financial Assets - Loan advances	4	4	26	**34**

(c) Liquidity risk

Liquidity risk is the risk that TDR will not be able to meet its financial obligations as they fall due. TDR's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

Financial Instrument	Accounting and strategic policies (including recognition criteria and measurement basis)	Nature of underlying instrument (including significant terms and conditions affecting the amount, timing and certainty of cash flows)
Financial Liabilities		
Payables	Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when TDR becomes obliged to make future payments as a result of a purchase of assets or services.	TDR's terms of trade are 30 days.
Interest bearing liabilities	Bank loans and other loans are initially measured at fair value, net of transaction costs. These loans are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis. TDR regularly reviews its contractual outflows to ensure that there is sufficient cash available to meet contracted payments.	Contractual payments made on a regular basis.

11.1 Risk exposures (continued)

The following tables detail the undiscounted cash flows payable by TDR relating to the remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2012	Maturity analysis for financial liabilities							
	1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years	Undiscounted Total	Carrying Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	1,324	-	-	-	-	-	1,324	1,324
Interest bearing liabilities	-	-	-	-	-	18,021	18,021	18,021
Total	**1,324**	**-**	**-**	**-**	**-**	**18,021**	**19,345**	**19,345**

2011	Maturity analysis for financial liabilities							
	1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years	Undiscounted Total	Carrying Amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities								
Payables	1,258	-	-	-	-	-	1,258	1,258
Interest bearing liabilities	8,600	-	-	-	-	18,021	26,621	26,621
Total	**9,858**	**-**	**-**	**-**	**-**	**18,021**	**27,879**	**27,879**

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that TDR is exposed to is interest rate risk.

TDR seeks to manage exposure to movements in interest rates by matching the repricing profile of financial assets and financial liabilities. TDR enters into interest rate options on floating rate debt to match capped rate loan advances. The costs of such options are recovered in the interest rate applied to loan advances.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as TDR intends to hold fixed rate assets and liabilities to maturity.

At the reporting date, the interest rate profile of the TDR's interest bearing financial instruments was:

	2012	2011
	$'000	$'000
Fixed rate instruments		
Financial assets	3,811	2,242
Financial liabilities	(19,324)	(19,258)
Total	**(15,513)**	**(17,016)**
Variable rate instruments		
Financial assets	40,586	51,351
Financial liabilities	(21)	(8,621)
Total	**40,565**	**42,730**

Changes in variable rates of 100 basis points at reporting date would have the following effect on TDR's profit or loss and equity:

Sensitivity Analysis of TDR's Exposure to Possible Changes in Interest Rates	Statement of Comprehensive Income		Equity	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	$	$	$	$
30 June 2012				
Cash and deposits	116,912	(116,912)	116,912	(116,912)
Loan advances	354,282	(354,282)	354,282	(354,282)
Interest bearing liabilities	(180,214)	180,214	(180,214)	180,214
Net sensitivity	**290,980**	**(290,980)**	**290,980**	**(290,980)**
30 June 2011				
Cash and deposits	103,797	(103,797)	103,797	(103,797)
Loan advances	362,112	(362,112)	362,112	(362,112)
Interest bearing liabilities	(266,214)	266,214	(266,214)	266,214
Net sensitivity	**199,695**	**(199,695)**	**199,695**	**(199,695)**

This analysis assumes all other variables remain constant. The analysis was performed on the same basis for 2011.

11.2 Categories of financial assets and liabilities

	2012	2011
	$'000	$'000
Financial assets		
Cash and deposits	5,158	15,140
Loans and receivables	35,428	37,867
Available-for-sale financial assets	586	584
Total	**41,172**	**53,591**
Financial liabilities		
Financial liabilities measured at amortised cost	19,345	27,879
Total	**19,345**	**27,879**

11.3 Comparison between carrying amount and net fair value of financial assets and liabilities

	Carrying Amount 2012 $'000	Net Fair Value 2012 $'000	Carrying Amount 2011 $'000	Net fair Value 2011 $'000
Financial assets				
Other financial assets				
Loan advances	35,428	35,417	36,211	36,200
Equity investments	586	586	584	584
Total financial assets	**36,014**	**36,003**	**36,795**	**36,784**
Financial liabilities				
(Recognised)				
Payables	1,324	1,324	1,258	1,258
Other financial liabilities				
Borrowings	18,021	18,419	26,621	27,269
Total financial liabilities				
(Recognised)	**19,345**	**19,743**	**27,879**	**28,527**

11.4 Net fair values of financial assets and liabilities

2012	Net Fair Value Level 1 $'000	Net Fair Value Level 2 $'000	Net fair Value Level 3 $'000	Net Fair Value Total $'000
Financial assets				
Other financial assets				
Equity investments	-	586	-	586
Total financial assets	**-**	**586**	**-**	**586**

2011	Net Fair Value Level 1 $'000	Net Fair Value Level 2 $'000	Net fair Value Level 3 $'000	Net Fair Value Total $'000
Financial assets				
Other financial assets				
Equity investments	-	584	-	584
Total financial assets	**-**	**584**	**-**	**584**

The recognised fair values of financial assets and financial liabilities are classified according to the fair value hierarchy that reflects the significance of the inputs used in making these measurements. TDR uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets;

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Financial Assets

The net fair value of loan advances is based on the differential between the actual interest rates of loans advanced and the equivalent TDR market interest rates at the time of reporting. Loan advances are held to maturity and are measured at amortised cost subsequent to initial recognition.

Equity investments are revalued from time to time as considered appropriate by the directors and are not stated at values in excess of their recoverable amounts.

All financial assets are not readily traded on organised markets in a standardised form.

Financial Liabilities

The net fair values of payables approximate their carrying amounts.

The net fair value of interest bearing liabilities is based on the differential between the actual interest rates of borrowings held and the equivalent market interest rates accessible by TDR at the time of reporting.

Directors' Statement

1. The Financial Statements have been prepared under Section 29B of the *Tasmanian Development Act 1983*. In accordance with Ministerial direction under S29B(4), the Financial Statements have been prepared in accordance with Australian Accounting Standards.
2. In complying with Australian Accounting Standards expenditure incurred by the Agency is accounted for on an accrual basis and reported with accrued operating revenue and annual cash appropriations from government. Under this reporting format, timing differences will occur between the accrual of expenditure and the receipt of appropriations from government for accrued expenses. As at the date of this statement, there are reasonable grounds to believe that TDR will be able to fulfil its financial obligations as and when they fall due, subject to Parliamentary appropriation.

Certification of Financial Statements

The accompanying Financial Statements of TDR have been prepared in compliance with the provision of the *Tasmanian Development Act 1983* and the *Financial Management Audit Act 1990* from proper accounts and records to present fairly the financial transactions for the year ended 30 June 2012 and the financial position as at 30 June 2012.

At the date of signing we are not aware of any circumstances which would render the particulars included in the Financial Statements misleading or inaccurate.

Lyn Cox
Chairman

9 August 2012

Mark Kelleher
Chief Executive

9 August 2012

Tasmanian Audit Office

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Independent Auditor's Report

To Members of the Parliament of Tasmania

Tasmania Development and Resources

Financial Report for the Year Ended 30 June 2012

I have audited the accompanying financial report of Tasmania Development and Resources (the Authority), which comprises the statement of financial position as at 30 June 2012, the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the Directors of the Authority.

Auditor's Opinion

In my opinion the Authority's financial report:

(a) presents fairly, in all material respects, its financial position as at 30 June 2012, and its financial performance, cash flows and changes in equity for the year then ended; and
(b) is in accordance with the *Tasmanian Development Act 1993* and Australian Accounting Standards.

The Responsibility of the Directors for the Financial Report

The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 29B of the *Tasmanian Development Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards and other relevant ethical requirements. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

Tasmanian Audit Office

H M Blake
Auditor-General

HOBART
27 September 2012

To provide independent assurance to the Parliament and Community on the performance and accountability of the Tasmanian Public sector.
Professionalism | Respect | Camaraderie | Continuous Improvement | Customer Focus

Strive | Lead | Excel | To Make a Difference

Tasmanian Government

Contact

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